



PUBLIC MEETING

Utah Committee of Consumer Services

Utah Department of Commerce
November 13, 2008



Welcome & Business



Public Comment



Case Updates

Michele Beck



Case Updates

RMP Rate Cases



Case Updates

Other Ongoing Dockets

- No order on Questar rate design
- Transponder settlement filed, no order
- Small telecom rate cases underway
- Data updates regarding next year's RMP IRP
- Discussions regarding legislation beginning



CCS Budget and Workload Planning



CCS Budget and Planning

Administrative Budget

- Paid from PURF, not general funds
- Not affected by special session; may be cut this legislative session
- Travel restrictions have been imposed
- Currently underbudget because understaffed
 - Exception granted from hiring freeze to fill two replacement positions
 - Money available for one additional position, will not likely be able to fill
 - All unfunded and unfilled positions likely to be eliminated



CCS Budget and Planning

Professional and Technical Budget

- Can only be used for specific purposes, primarily consultants
- Unaffected by special session, may be cut in next special session
- Carry-over balance remains, but lowering due to large number of cases
- Staff already prioritizes cases, may need to make even more difficult decisions regarding participation



CCS Budget and Planning

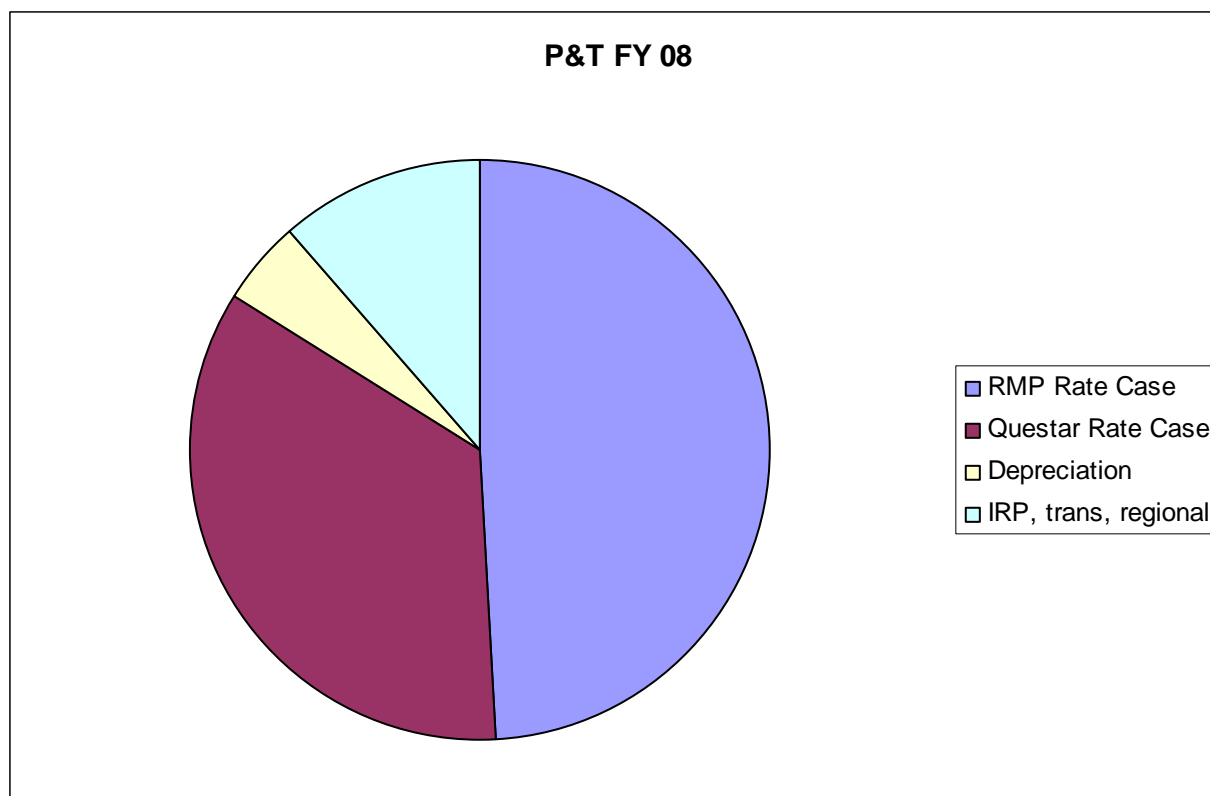
Details of P&T Expenditures

	<u>Actual</u> <u>FY 2008</u>	<u>Actual</u> <u>FY 2009</u>	<u>Projected</u> <u>FY 2009</u>
<u>1). RMP - (General Rate Case)</u>			
A). Cost of Capital	20,000.00	0.00	18,670.00
B). Net Power Costs	84,972.55	10,762.00	101,898.00
C). Revenue Requirement	111,938.57	13,975.00	118,025.00
D). Cost of Service/Rate Design	55,980.15	30,274.75	60,000.00
E). Load Forecast	0.00	0.00	39,516.00
Total - RMP	272,891.27	55,011.75	338,109.00
<u>2). QGC - (General Rate Case)</u>			
A). Cost of Capital	22,925.00	0.00	11,000.00
B). Revenue Requirement	109,255.39	0.00	55,000.00
C). Cost of Service/Rate Design	61,513.55	36,028.30	12,000.00
Total - QGC	193,693.94	36,028.30	78,000.00
3). Depreciation	25,907.40	0.00	0.00
4). Misc (acctg, decoupling, etc.)			30,000.00
5). IRP, transmission, regional	63,581.03	10,143.07	80,000.00
Total - Others	89,488.43	10,143.07	110,000.00
	556,073.64	101,183.12	526,109.00
FedX	739.31	165.86	500.00
FY Totals	556,812.95	101,348.98	526,609.00



CCS Budget and Planning

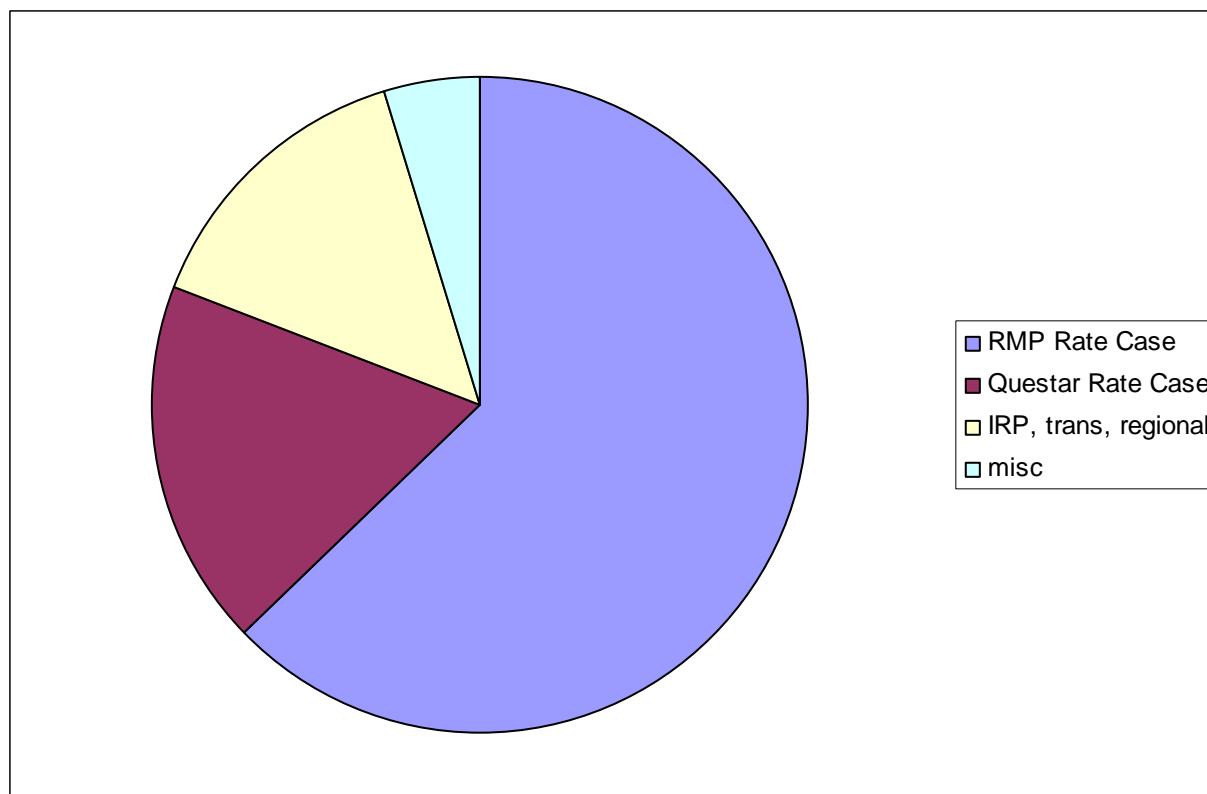
Overview of Expenditures FY 08





CCS Budget and Planning

Overview of Expenditures FY 09





CCS Budget and Planning

Consultant Activity

- Finalizing extension of contract with Resource Insights for COS portion of the next RMP rate case
- RFP out for each portion of the Questar rate case
- Discussing extension of contract with GDS Associates (forecasting) to cover both rate case (existing forecast) and IRP (new forecast methodology)
- Existing contracts available for work on resource modeling, decoupling, miscellaneous accounting work



CCS Budget and Planning

Upcoming Workload

- Legislation
- RMP rate case
- Questar rate case
- Ongoing docket workload
- Policies and procedures
- Increased focus on consumer-based conservation
- Re-evaluate consumer outreach and education



Natural Gas Vehicles

Michele Beck



Natural Gas Vehicles

Background

- Natural Gas Vehicles (NGV) are served through a Questar tariffed rate
- Because of the increase in NGV usage, this issue was examined more closely in the current Questar rate case
- Responses to data requests indicate that the NGV rate is being subsidized by all other customer classes
 - At the time, the cost was \$0.80 per gallon equiv.
 - COS was approx. \$1.75 per gallon equiv.



Natural Gas Vehicles

NGV Treatment in the Rate Case

- Both the DPU and CCS recommended that the NGV rate be moved half-way to cost of service in this case, with the intent of moving to full cost of service in the next rate case
- All major parties supported moving the NGV rate to cost of service
- CCS also recommended:
 - The rate increase should include an education piece explaining the reasoning to NGV customers
 - The Commission should open a separate proceeding to examine broader NGV issues



Natural Gas Vehicles

View of Other Stakeholders

- Governor's Energy Advisor supported the move halfway to cost of service for NGV
- NGV consumers have provided numerous statements to the PSC asking that the rate be increased enough to cover additional investment into the system
- NGV advocates have requested meetings with me to communicate their concerns about the future of NGV in Utah



Natural Gas Vehicles

Issues Presented by NGV Advocates

- Concerns about Questar divesting its NGV assets
 - In surrounding states, assets have been sold to single providers who pegged the rate to the cost of gasoline
 - Result: industry declined significantly
- Concerns about quality and adequacy of existing system
- Desire to promote additional NGV use



Natural Gas Vehicles

Unique Aspects to NGV in Utah

- Unique situation: NGV part of regulated utility
- Most NGV advocates and consumers don't understand how rates are set
 - Although they enjoy the subsidies, many understand the necessity to change the rate structure in order to promote the industry
- The regulatory system has a responsibility to ensure that a different ownership or rate isn't harmful



Natural Gas Vehicles

Why the NGV Rate Subsidy Must Be Removed

- Bad public policy and bad rate design
 - Intra-class subsidies are inappropriate rate design
 - Inappropriate public policy to have cross industry subsidization (alternate vehicle fuel subsidized by home heating and industrial fuel consumers)
 - Consequence of this subsidy is a hidden tax only applied to natural gas consumers to promote NGV



Natural Gas Vehicles

Why the NGV Rate Subsidy Must Be Removed

- The NGV industry cannot expand with this rate subsidy in place
 - Current facilities are insufficient to meet current demand and could not support an expansion of NGV
 - Questar cannot be expected (could be imprudent) to invest in NGV when the rates don't even cover existing costs
 - No alternate providers for NGV filling stations could compete with the artificially low existing prices



Natural Gas Vehicles

Next Steps

- PSC already opened NGV docket
 - After rate case order, we expect technical conferences or other discussions
- Proposed CCS position
 - Remove rate subsidy of NGV
 - Establish clear, cost of service rates
 - Study the issue further regarding future ownership (regulated utility or other) ensuring that the industry doesn't become unregulated monopoly



Green Stickers

Eric Orton



Green Stickers

Background: Local Gas Production

- Questar Gas customers historically received their natural gas from Wyoming and Eastern Utah with an historic average Btu content of 1080.
- 1990 introduced production of lower Btu gas just west of Price with a Btu content around 980.
- 1997 Price volume production became significant so that the co-mingling the gas in the pipe changed the characteristics of the gas at the outlet.
- 1998 QGC changes the allowable gas quality range downward from 1080 to 1020.



Green Stickers

Background: Gas Quality

- From 1080 to 1020 Btu:
 - the lower Btu gas burns “cooler” than higher natural gas
- The gas quality (Btu content) is the result of the proportion of its components.
 - Methane, ethane (and other heavier hydrocarbons),
 - Inerts (non-combustible byproducts)
- When the heat content of the fuel is lower the flame is cooler and the combustion byproducts change



Green Stickers

Background: Safety Issues

- When one of the combustion inputs change (heat content of the gas) the new fuel can be the cause of flame liftoff, yellow-tipping, and other abnormal burning characteristics
- The certain byproduct resulting from moving far enough off an acceptable range is Carbon Monoxide (CO), which can be dangerous
- When the CO reaches 400 ppm in a blocked flue the ‘safety boundaries’ of combustion are compromised.



Green Stickers

Green Sticker Plan Evolution

- Questar's original plan to accommodate the new, lower Btu fuel (from Price) was to quickly re-orifice all customers appliances at a cost of \$120m
- Questar's revised plan
 - Slower re-orifice work schedule and a
 - CO2 extraction plant to operate during a ten-year transition period
 - Green Sticker to be placed on the appliance when the old orifice was replaced with a new orifice so that the technicians and customers could tell at a glance if the work was done.



Green Stickers

Green Sticker Evolution – cont.

- Evolution of work details:
 - First, Questar would change the orifice of all appliances
 - Then it was determined that contractors or technicians could change the orifice
 - Finally, it was allowed that the green sticker would be included as part of a comprehensive inspection.
- Evolution of message:
 - Message began with dire safety warnings
 - Then message shifted to focus on changing gas supply
 - Now, message ties into need for regular servicing of appliances



Green Stickers

Green Sticker Review

- Last year, Questar presented findings from a study examining various aspects of these green sticker related issues
- Results
 - Natural gas Btu content not changing
 - No additional need for CO₂ processing plant
 - Mixed results of success of green sticker



Green Stickers

Green Sticker Current Issues

- Dilemma
 - What problem is it solving?
- Communication confusion
- Lack of oversight/potential consumer protection issues



Green Stickers

Green Sticker Dilemma

- Does the green sticker purpose still exist?
 - The gas coming into Questar's system has not averaged 1020 Btu, but closer to the old range.
 - Will future gas content vary, requiring a green-sticker like program?
- Is adjusting orifices a possible, realistic solution to potential future gas quality changes?
 - Furnaces are more complicated with safety shutoff devices
 - Manufacturers do not allow orifices to be changed.



Green Stickers

Green Sticker Concerns: Message to Consumers

- Consumers have always been confused by the green sticker purposes
- HVAC professionals give mixed messages – some say green stickers are essential others say it is meaningless
- Questar and state officials have not been clear about purpose, especially as it has evolved



Green Stickers

Green Sticker Concerns: Consumer Protection

- No oversight of quality of work from industry, Questar, or the state
- No guidelines regarding appropriate pricing – some contractors charge significant add-ons, others include green sticker as part of regular appliance maintenance



Green Stickers

Green Sticker: Staff Recommendations

- Staff will monitor these issues over the course of the year – the Committee may want to take a stronger position after more study
- Goals:
 - The purpose of the green sticker should be clear.
 - Communication, education and enforcement should be consistent
 - Guidelines should be in place and well communicated
 - Maximize the value of a thorough, regular inspection program to ensure the safe and efficient operation of Questar Gas customer's natural gas appliances.



Other Business/Adjourn
